Gas Grill Sales by Outlet

Outlet	Total Gas Grills Owned	Type of Gas Grill Owned		
		Standup LP Gas	Tabletop LP Gas	Natural Gas
Discount Store	29%	33%	44%	3%
Catalog Chain	13	14	8	9
Department Store	11	11	12	9
Hardware Store	11	12	—	11
LP Gas Dealer	9	5	4	29
Home Improvement Center	7	7	12	6
Catalog Showroom	5	6	8	—
Drugstore	3	3	8	—
Came with Home/Custom Built	2	—	—	14
All Other	10	9	4	19

Source: Barbecue Industry Association

Grill Market Sizzles; More Growth Foreseen

Nationwide DSN Report

The market for grills continued to sizzle in 1986, and the outlook for 1987 shows the potential for sales growth is far from fizzling out, discount chain executives indicated.

"We are doing a strong business in gas grills," said Rick Wilson, divisional merchandise manager, Bradlees, headquartered in Braintree, Mass. "We built a good high end business a few years ago. More recently, we went back and built a low end business as well."

Overall, discount chains are continuing to explore the middle and upper ranges of the mass market models, adding to their assortments units that are more feature-laden. At the recent hardware show in Chicago, many chain buyers reported shaping 1987 plans that include purchases in the $200 to $300 price range.

Metro market discounters, though, are more likely to trade their customers up than are rural market chains.

On average for discounters, however, the lion's share of the business will continue to be in the $100 to $200 everyday price range. And most chains will continue to stock and promote low-priced models that allow them to hit an $80 to $100 price point.

Wilson said that gas grill sales at Bradlees were strong in the $200 price range. But 1986 sales indicated there still may be room at the top for customers in the chain's major Northeast markets. The recent hardware show found Wilson looking at models that retail at more than $400.

Frank Bisceglia, senior vice president, hard lines merchandising, Service Merchandise, Nashville, Tenn., also was optimistic about his grill business and about the potential at the high end.

Good Grill Year

The 175-unit catalog chain just concluded another good year with gas grills, and he was confident the category will continue to be a strong seller next year. When it comes to gas grills, "There's no such thing as a bad year." Service Merchandise could push price points higher, Bisceglia said. His chain, which enjoyed success with a gas grill priced at $329, is looking at a more-elaborate, full-feature model priced around $500. The item would neither be listed in the chain's catalog nor stocked in every store. "I think the model can do well in selected stores," Bisceglia said.

Following the trade up lead of its American parent, K mart Canada also expects to be able to push grill assortment prices into the $300 range, its buyers indicated. The Canadian-based operation has been steadily moving away from charcoal grills and is now concentrating more on gas grills, said buyer T. Antonick. He said the most popular models are in the $200 price range.

The move to higher price points is giving discounters the room to add the fashion/styling and features they believe more customers are willing to pay for.

Manufacturers have been inspired to develop more feature-laden models for chains.

The newer features on models offered at the hardware

(Continued on page 51)

Chain Executives Expect No Fizzle of Grill Market Sizzle

(Continued from page 48)

show included more-elaborate wood carts with twin burners, wood shelves on both sides as well as underneath the grill, larger cooking surfaces, tempered glass shelves, window views and thermostats.

And a greater variety of colors are being offered beyond the traditional black hood and redwood-style shelves. For example, some manufacturers offer a choice of grey, brown or red, either on the wood or the hood. And at least one manufacturer came to the hardware show with a charcoal grill available in five pastel colors.

Nonetheless, discounters and their suppliers are determined to keep sight of the basic discount store customer. One manufacturer interviewed by *DSN* doesn't believe cart styling and color is that important for discounters: "We believe the average customer in a discount store is interested in the basic models in an average price range of $100 to $200."

The discount store executives interviewed agreed that a majority of their sales are in the low- to mid-range. But customer demand for higher-end models prompts some chains to carry high-end models in the hopes of getting them to upgrade.

In addition, discounters continue to see a stronger market for replacement parts and predicted that this side business will become a solid part of the overall department offerings.

Industry Study

A market study conducted by the Barbecue Industry Association (BIA) showed discount stores have regained the market share lost from 1977 to 1983. Discount stores now account for 39% of all grills sold, an increase from a 35% share three years ago. The study revealed that 44% of all charcoal grills and 29% of all gas grills (up from 20% in 1983) were purchased in discount stores.

Sales of gas grills in discount stores will continue to grow, predicted BIA president Arthur W. Seeds. He cited several reasons for the turnaround, including the growing popularity of barbecue in the food industry.

There's no doubt that, as this trend continues to grow in the food industry, that it has fueled a greater demand, and more and more consumers want to duplicate the cooking style at home.

The discount store chains have been able to capitalize on the popularity of barbecued foods by stocking an extensive line of gas grills and attracting customers through strong price promotions.

The BIA study also found that the male head of household will make the decision to buy the more expensive grills.

Men are more likely to be the decision maker for the purchase of gas grills, the study found, while women are more likely to buy tabletop and hooded braziers.

Traditional discounter Zayre, here in a Chicago area store, hits a low $79 price point with a Sunbeam unit but offers consumer step-up possibilities to a $200-plus featured cart unit. (DSN photo)

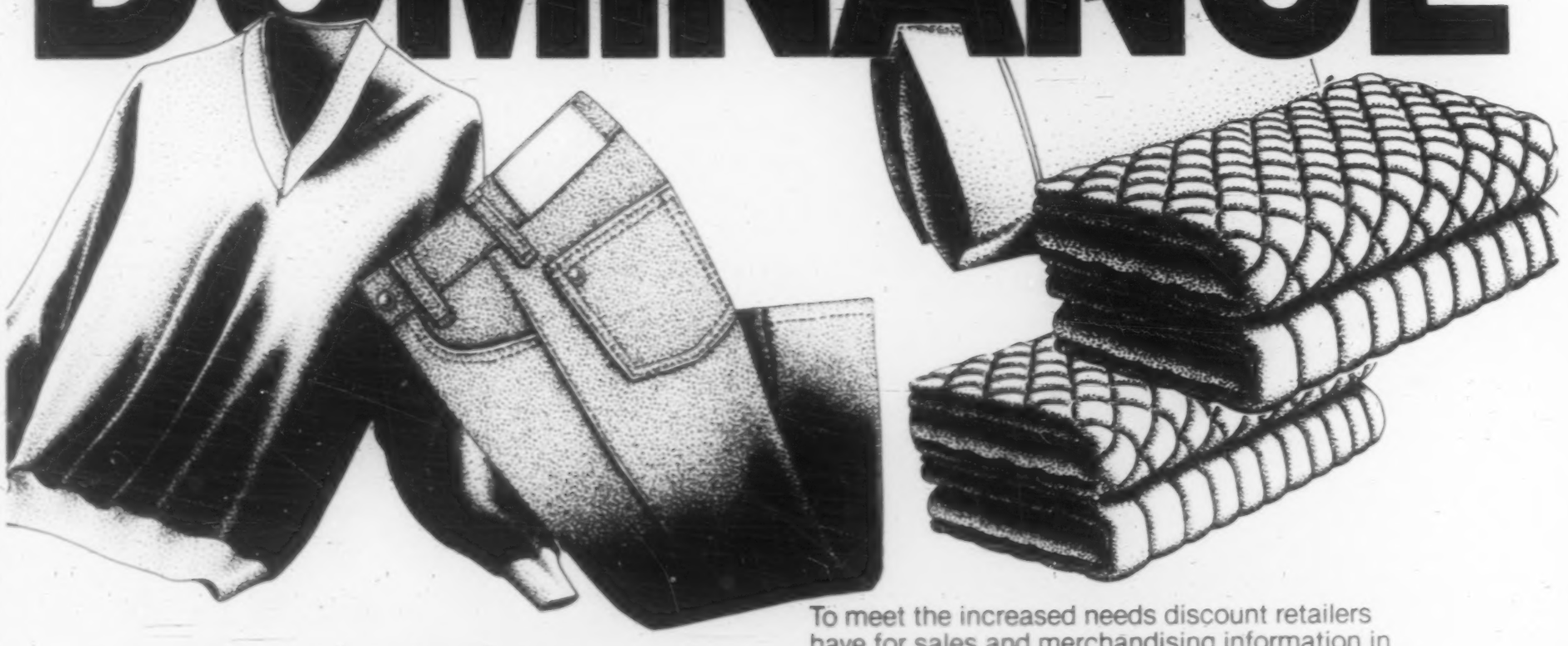
Discounters Lead Grill Sales

Outlet	Total Grills Owned	Type of Grill Owned	
		Charcoal	Gas
Discount Store	38%	44%	29%
Hardware Store	12	13	11
Department Store	11	11	11
Catalog Chain	9	6	13
Drugstore	5	7	3
Catalog Showroom	5	4	5
Home Improvement Center	4	1	7
LP Gas Dealer	4	—	9
Grocery/Supermarket	3	5	1
Came with Home/Custom Built	1	—	2
All Other	8	9	9

Source: Barbecue Industry Association

SOFTLINES MERCHANDISING

DOMINANCE



DISCOUNT RETAILERS DOMINATE SOFTLINES

Discount retailers are dramatically expanding their emphasis on softlines.

Consumer research shows more consumers are shopping at less than full price for apparel and domestics. And they're doing it more frequently at discount stores.

As a result, discount retailers are increasing their market share in apparel and domestics.

In fact, today more apparel and domestics are sold in discount retail stores than in any other market.

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- Women's apparel
- Children's apparel
- Domestics

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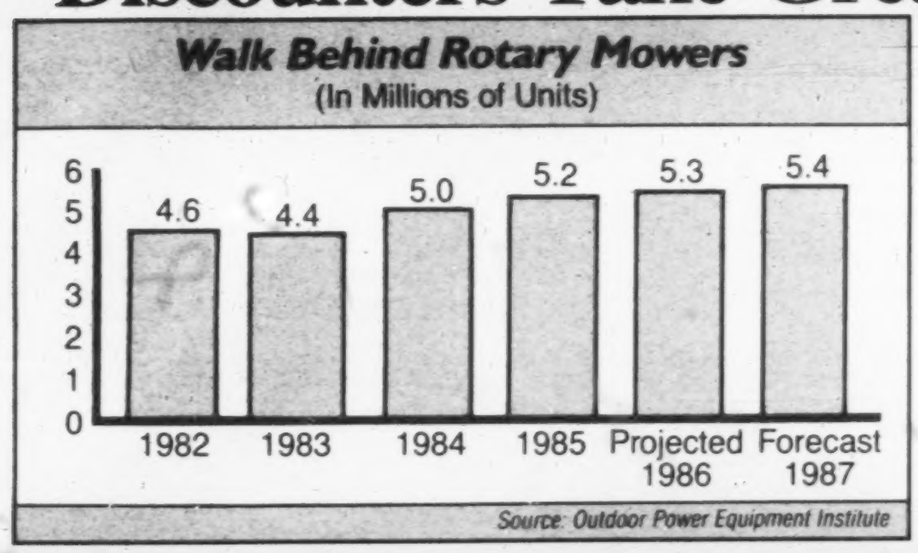
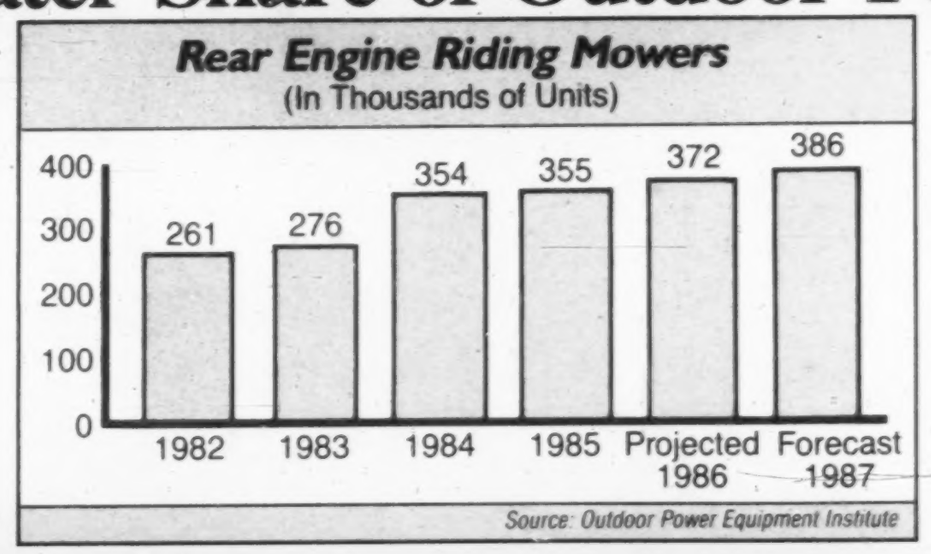
Discounters Take Greater Share of Outdoor Power Tools





Nationwide DSN Report

Discounters, already responsible for about 25% of all shipments of outdoor power tool equipment, will continue to be a growing retail source for those products, concluded a recent report conducted for the Outdoor Power Equipment Institute (OPEI).

Projected increases in gross national product, housing starts and disposable personal income were cited as key factors contributing to a stronger outdoor power tool equipment business. And with fewer shipments going to retail outlets such as Sears, the study suggests discounter business might benefit.

The institute's study projected increased shipments in most of the product categories it tracks, including walk-behind rotary mowers, rear engine riding mowers, lawn and yard tractors, garden tractors and walk-behind snowthrowers.

In fact, walk-behind tillers was the only merchandise line the OPEI tracks that was expected to decrease in 1986.

The decline in that one category is expected to continue into 1987. A projected 341,000 tillers will be shipped during this model year, with an estimated 320,000 units shipped by the end of the 1987 model year. (Statistics are based on a model year ending Aug. 31.)

Walk-Behind Tillers Drop

A 9% drop in walk-behind tiller shipments was reported for the 1985 model year.

The OPEI measured four channels of distribution according to the percentage of total shipments each received.

While the "distributor" classification, which includes Sears, Jefferson Ward and Western Auto, was projected to drop 1.3% from 1985 to 1986, and was forecast to slip 0.8% more by 1987, the "merchandiser and other" division is expected to rise 1.5% during the same two years.

Discounters comprise roughly half of the merchandiser division, while regional chains like Otasco, wholesaler/jobbers and catalog showrooms are the other half.

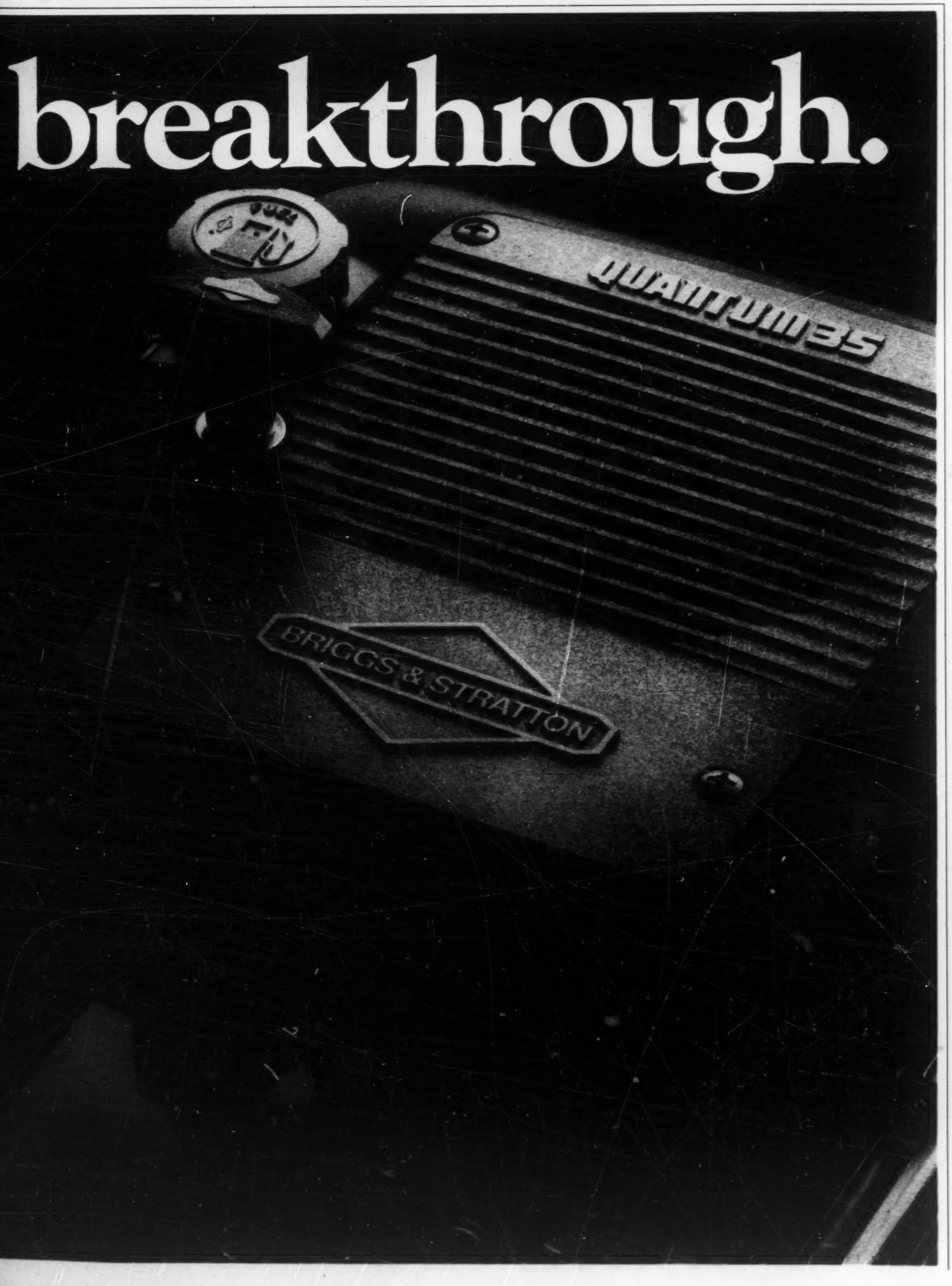
The home owner's basic walk-behind rotary mower, constituting the bulk of outdoor power tool business, rose to 5,193,000 units in 1985. The OPEI report projected shipments of 5,319,000 and 5,395,000 during this year and 1987, respectively.

Lawn and yard tractors, with the second highest volume, is projected to reach 557,000 units in 1986 and 580,000 during 1987.

Lawn and yard tractor shipments are expected to reach 557,000 by Aug. 31, 1986, and will total 580,000 by the end of the 1987 model year.

Walk-behind snowthrowers are expected to top 500,000 for the first time during 1987, compared to the 482,000 projected 1986 shipment.

The study was conducted for the OPEI by Gilson Brothers Co., a Plymouth, Wis.-based power equipment manufacturer.



New Top Executive Team Begins to Take Shape at K mart

(Continued from page 1)

Some K mart watchers suggested there will be no changes in titles. It was just in December of 1984 that Fauber first began to restucture the company by creating three operating areas: K mart stores, specialty retailing and corporate administration, each headed by an executive vp.

Under that reorganization, the post of president, coo was eliminated.

Now, with Antonini reviving that position after two years, the company could, instead, elect to operate without a chairman after Fauber's retirement next year.

Antonini is a 22-year veteran of K mart. He started as a stock clerk in 1964 and worked his way up to manager of Kresge stores in New York and Washington by '70 and district manager in '73. He managed a K mart store in Maryland in '76. By '82 he was director of store operations, Eastern region.

In 1983, Antonini was named director of sales promotions and shortly afterward, executive vice president, administration, K mart Apparel.

The recent strengthening of the chain's apparel business (now 22% of sales and a big contributor to profits) was staged under his direction. The company has developed strong private labels like Hunters Glen and the Jaclyn Smith signature brand, and also has increased nationally branded merchandise.

Antonini was named executive vp in January of this year, moving his office from the chain's North Bergen, N.J., apparel offices to Troy, Mich.

In addition to his direction in the discount stores, Antonini has been involved with developing a new apparel program at the corporation's recently acquired PayLess Drug division.

After Fauber became chairman in 1980, the credo at K mart became "think differently." Antonini, he said, "has demonstrated an ability to sense what the public wants and to develop a team able to satisfy those demands."

According to Milley, flexibility and willingness to make changes characterizes the entire younger team of executives at K mart.

"The young people we're putting into place will be much more flexible than we had been," said Milley. "They won't hesitate to change what needs to be changed."

He pointed to current plans to let apparel occupy more space in the K mart stores, and therefore increase the sales from the higher-margin merchandise. He added that the status quo at K mart now means to continue to reanalyze such aspects as space allocations.

At K mart Apparel, Antonini's former duties as president of the division will be taken over by Glen Smith, who at presstime held the title of senior executive vp of KMA.

First Half Discounter Results Swing Widely Among Chains

(Continued from page 2)

9.5% to $6.0 billion, from $5.5 billion. For the six months earnings climbed 58% to $210 million, as compared to same period sales a year ago of $133 million. Sales rose 7.2% to $11.2 billion, from $10.4 billion a year ago.

The company attributed these results to the success of its new apparel lines, better pricing strategy and more effective advertising. Also, the company said it had trimmed store hours and labor costs, and dropped its S G & A ratio to 24% of sales from 25%.

At Wal-Mart, earnings for the second quarter period ended July 31, came to $95.9 million, up 33.6% from earnings a year ago of $71.8 million. Sales jumped 43.5% to $2.8 billion from $1.93 billion.

Earnings for the six month period rose 42.5% to $5.1 billion, from comparable period sales a year ago of $3.6 billion. During the year, the chain opened 124 Wal-Mart stores, for a total of 915 at the end of the quarter. The company also expanded its Sam's Wholesale Club chain from 13 units to 37.

Dayton Hudson, parent company of Target and off-pricer Mervyn's, didn't fare as well this quarter, reporting an earnings downturn for the period ended August 2, 1986, of 8.5%, to $36.7 million, as compared to $40.0 million the year before. Sales rose 10% to $2.2 billion, from $2.0 billion the year before.

Kenneth A. Macke, chairman and chief executive officer of the corporation, said strong operating profit increases at Target and its Dayton Hudson department store division were offset by substantially lower operating profit at Mervyn's and a one-time 3¢ charge per share for the closing of its Pickwick Discount Books test chain.

Target's sales for the 13 weeks were up 8% to $976.8 million, from $904.5 the year before. Mervyn's achieved a 14% sales increase to $639.6 million, from $536.2 million a year ago.

Zayre's sales for the quarter were off about 44%, to $9 million before an extraordinary charge of $3.4 million for the redemption of the company's 12 5/8% senior subordinated debentures. This compares to comparable period earnings a year ago of $16 million.

Sales for the second quarter reached $1.2 billion, up 43% from sales the year before of $839.7 million.

Maurice Segall, president and chief executive, said the results stemmed primarily from lower than planned same store sales and merchandise margins in the Zayre stores. "Our off-price apparel specialty store group, T. J. Maxx and Hit or Miss, continues to show strong operating earnings."

Poor sales at Caldor were a primary cause for the 93% earnings drop for the quarter at Associated Dry Goods. Earnings fell to $2.96 million on sales of $1 billion. A year ago, earnings were $14.5 million on sales of $983.8 million.

For the six months, earnings dropped 64.9% to 8.4 million from $23.9 a year ago. Sales rose 5.5% to $2 billion, from $1.9 billion a year ago.

The company ADG agreed to merge with last July, May Department Stores, fared better during the second quarter and first half. Earnings rose 20.8% to $86.1 million from $71.3 million a year ago. Sales increased 11% to $2.4 billion, from $2.2 billion the previous year.

May's discount store division, Venture, also showed sales increases. For the quarter, sales were up 11.2% to $257.6 million from $231.7 million the year before. For the six months, sales improved 10.5% to $487 million, from $440 million.

"I Love a Parade" Sweepstakes...

Sporting Goods Manufacturers Suffer Through Slump in Sales and Profits					
	1981	1982	1983	1984	1985
Profit After Tax	+ 3.7%	+ 4.4%	+ 6.0%	+ 4.1%	+2.9%
Sales	+13.7	+10.3	+13.8	+13.0	+5.8
Return on Assets	+ 5.7	+ 7.5	+ 9.6	+ 6.3	+4.4
All U.S. Manufacturers (ROS)	+ 4.9	+ 3.9	+ 4.1	+ 4.6	+3.8

Source: Sporting Goods Manufacturers Association

Sporting Goods Makers' Profits Sag

NORTH PALM BEACH, Fla. — Sporting goods manufacturers suffered through their worst year for profitability in 1985 since the turn of the decade, and sales for 1986 and perhaps 1987 are expected to be flat, indicate figures compiled by the Sporting Goods Manufacturers Association.

Sales growth last year was just 5.8%, including inflation. After adjusting for inflation, real growth was a mere 2%.

SGMA President Howard J. Bruns said part of the remedy for ailing sales may be in the trend by conglomerates to divest themselves of sporting goods companies.

"We believe a stronger, more-profitable industry will be the result," he predicted. Most takeovers in the industry had "a debilitating effect the past 26 years, suppressing a certain degree of responsiveness necessary to compete," the SGMA official said.

The association also reported that more than 50% of all sports-related products will be manufactured in Asia this year, with nothing to deflect the shift to offshore manufacturing except the free market.

The SGMA's financial findings are based on data from 45 private and 31 public companies that account for $5 billion in factory shipments at wholesale value.

Females Propel Soccer's Popularity

Youth Sports Participation (In Millions)			
	Age 7-11	Age 12-17	Total
Basketball	2.2	7.2	9.4
Baseball	2.7	4.2	6.9
Softball	1.8	4.9	6.7
Volleyball	1.1	5.4	6.5
Football	1.3	5.1	6.4
Soccer	2.6	3.5	6.1

Source: National Sporting Goods Association

MOUNT PROSPECT, Ill. — Basketball continues to be the most popular sport among American youths, but soccer is gaining in popularity largely because the sport has attracted more girls and young women than other sports, indicated a study by the National Sporting Goods Association.

The study also showed that one out of every three frequent soccer players is a girl or woman and that soccer has done a much better job of attracting children 7 to 11.

Feds Clear Discounters Of Price Fixing Charges

BALTIMORE, Md. — State antitrust enforcers in Maryland and New York have dropped resale price maintenance (RPM) conspiracy charges against a number of discount and catalog showroom chains following a settlement agreement with Minolta camera.

Under the terms of that settlement, Minolta agreed to reinstate discounters who were terminated because of they refused to maintain "suggested" resale price levels on Minolta's MAXXUM 35-mm auto-focus camera line, and to pay as much as $7 million in rebates to consumers affected by the price fixing.

The case attracted nationwide attention earlier this year when W. Bell & Co., a Rockville, Md-based catalog showroom chain, was terminated as an authorized distributor of MAXXUM cameras because it advertised those cameras at $289—about $30 less than Minolta's suggested retail price.

In discontinuing sales to the chain late last year, Minolta explained in a letter to Bell that "we have suggested that all retailers offer the MAXXUM camera body with a 50mm f/1.7 lens at a retail price of at least $319.95"—a level that the manufacturer said "provides all retailers a reasonable profit margin."

Noting Bell's advertised price for the camera, the manufacturer said that "in view of the above, Minolta will no longer be accepting orders from W. Bell for the MAXXUM system."

That prompted RPM suits by the attorneys general of Maryland and New York, charging that Minolta engaged in a "nationwide conspiracy" to prevent retail price-cutting for its cameras.

Those suits charge that Minolta's co-conspirators included dozens of discounters, including K mart, Service Merchandise, Caldor and Best Products.

In announcing the settlement with Minolta, Maryland Assistant Attorney General Michael Brockmeyer said that the RPM charges against these retailers had been dismissed.

Although Minolta was not required to admit any wrongdoing, the agreement does require the manufacturer to reinstate all terminated MAXXUM dealers, including Bell, and to refrain for three years from discontinuing sales to retailers because of their pricing practices.

In addition, Minolta must offer cash rebates to all consumers who purchased the firm's auto-focus cameras prior to March 21, 1986. Purchasers of the MAXXUM 7000 model can get a $15 rebate, while consumers who bought the firm's AF-Tele camera can get back $8 .

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Plus 44 trips to one parade, 444 color TV's (for watching parades) and 4,444 cases of Valvoline® FourGard™ motor oil.

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All your customers do is remember what the driver of the smoking car says in Valvoline's new commercial–"Parade." Tens of millions of viewers will be directed to enter at participating stores by the powerful TV message.

"Parade" features FourGard motor oil because four-cylinder cars are the fastest-growing segment of the auto population–in fact, they already make up almost 30%. And, of course, our "break-thru"

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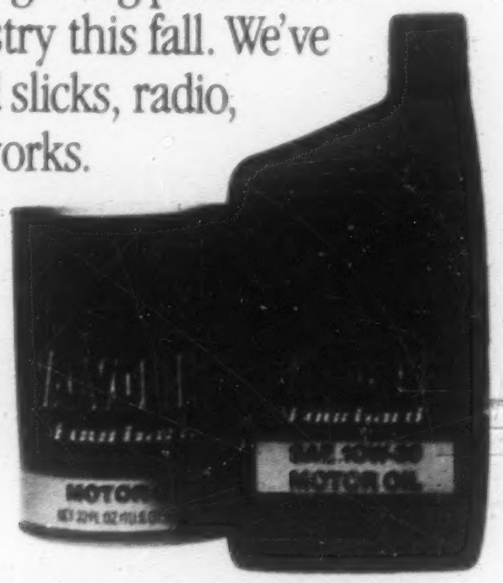

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Gold Circle Prototype Features Stacked Approach

Al Thompson

By KAREN PAXTON

SPRINGDALE, Ohio — Gold Circle's latest prototype embodies a "stack-em-high" merchandising approach, packaged in a slick presentation that includes large four-color graphics, ceiling-high wall displays and a subdued lavender, rose, green and gray color scheme.

"With this remodel we've shifted our emphasis more on soft lines," said Al Thompson, marketing vice president of the chain, who was in the store the day before the grand reopening.

"Shoppers see more merchandise in women's and children's wear because we've gone higher along the walls," Thompson said.

Soft lines has a larger chunk of the real estate as well. Reportedly, more than half of the 88,000-sq.-ft. selling floor of the Springdale unit is devoted to apparel. Hard lines areas such as luggage, hardware and sporting goods were scaled back to make room for that expansion.

The first updated Gold Circle since Peter Hayes became chairman was completed late last month in this unit outside of Cincinnati. The chain had been refining the set-up in the store since early this year.

At presstime, a store in Columbus, Ohio, where the chain is headquartered, and three others in Atlanta, South Carolina and Akron, Ohio, also were being changed to that design.

The plan is to planogram this prototype and roll it out to all 76 stores by the end of the decade.

While the new look is basically upscale with slate walls, slides and "Santa Fe neutral" colors, signs touting everyday low prices, quick service and a new layaway policy are still part of the plan. (The chain even hired Milton Glaser, known for designing the I love N.Y. logo, to design its in-store signing program.)

A front-of-store area is designated for seasonal and clearance merchandise. Household chemicals, located along a rear wall, are stacked out in cut cases.

New layout features of the prototype store include:

- A "home world" area relating an expanded domestics department with furniture, housewares and consumer electronics;
- A "children's world" with an expanded infants/toddlers department

(Continued on page 63)

Narrow, but deep, assortments with goods displayed high on walls complemented by four-color graphics are part of the store changes at Gold Circle's new prototype in Springdale, Ohio.

Costco Challenges Price Club

LA Warehouse Club Market Boils

SEATTLE — The thermostat on the membership warehouse clubs in the Greater Los Angeles Area is rising fast. It now registers "hot," but with the entry of Costco, it may soon reach "boiling."

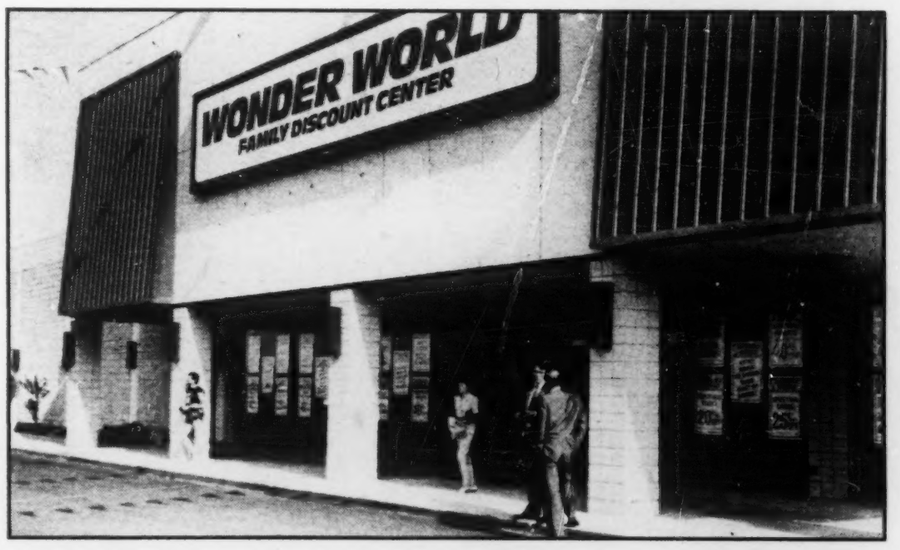
By year's end, Costco will open in Riverside (60 miles east of Los Angeles), and The City of Industry (30 miles east of Los Angeles).

Seattle-based Costco thus becomes the third chain to challenge Price Club for market share in the Los Angeles market. The other two: Price Savers, a Kroger subsidiary, based in Salt Lake City, and PACE, headquartered in Aurora, Colo.

In its first two stores in the Los Angeles area, Costco will go head to head with Price Savers in The City of Industry (which will open a store there early next year), and PACE in San Bernardino (also opening early next year). San Bernardino is 21 miles from Costco's Riverside unit.

In 1987, Costco will open four or five stores in Southern California, most of them in the Los Angeles area, and three or four stores in Northern California, according to Jim Sinegal, Costco president.

(Continued on page 63)



Pay Less will be converting several ailing K marts in the Southwest, as well as acquired TG & Y's, to resemble this Wonder World prototype, which opened in Bozeman, Mont. in August.

Heck's Buyout Proposed

NEW YORK — The investment group proposing to take over W. Virginia-based Heck's for $145 million, would continue operation of the discount store chain, and keep most existing management in place.

Robert I. Toussie, who is leading the New York investment group of Edward A. Viner & Co. in the buyout offer, said despite Heck's recent financial troubles, the chain can achieve a profitable turnaround. He also rejected con-

(Continued on page 59)

MAGIC Show Draws Men's Wear Buyers

Nationwide DSN Report

Men's and boys' wear buyers are headed to Los Angeles at presstime, in search of color direction for next year.

Their destination is the spring Men's Apparel Guild in California (MAGIC) show, which is expected to blend safari (Out of Africa) influences with the latest prints on tops and shorts of all lengths.

Although Spring '87 is the theme of this month's showcase, last minute buys for holiday '86 topped most shopping lists.

"We've left ourselves open for for the Holiday. We're buying closer than ever," said Joe Ettore, soft lines vp at Jamesway.

Color is the key usually found at MAGIC, "with everyone copying the specialty stores' assortments that now are built around color," Ettore said.

For spring buyers can expect to see brights: jade, yellow and coral added to the usual royal and red.

Ailing K marts Reincarnated As Pay Less Wonder Worlds

By LOUIS KARNEY

WILSONVILLE, ORE. — Pay Less, the 225-store superdrug chain owned by K mart, has embarked on a rescue mission by converting ailing midsize K marts to Wonder Worlds in the Southwest.

By the end of 1986, Pay Less will have completed 12 K mart conversions. In addition, Pay Less is mapping the same route for acquired T G & Y stores, with six scheduled for conversion by year end. They are expected in Texas, Oklahoma, Colorado and Arizona.

Wonder World is a hybrid, embracing three elements: the wide assortments of drugstore merchandise of Pay Less' conventional stores—but without pharmacies; the promotional approach of Value Giant, Pay Less' deep discount drug store, and an apparel department with lower price points than K Mart.

Pay Less has closed its Value Giant division and placed its Key Drug operation (downsized versions of Pay Less stores) on the back burner.

At peak, there were only

(Continued on page 63)

Off-Price Apparel Chain Census —pages

SPARC Awards Banquet Honors Vendors

38th Annual AGMC Convention —page 48

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Builders Square Expands With 25 Mr. HOW Units

SAN ANTONIO — Builders Square's expansion plans got a big boost with the acquisition of 25 operating or planned Mr. HOW stores in two separate deals made with cataloger Service Merchandise.

Currently operating 56 stores, Builders Squares expects to end the year with 92 units.

The Mr. HOW acquisitions allowed Builders Square to expand into five new markets this year and will give itanother new market entry in 1987.

The deals also raised the number of Builders Square outlets in Florida to 12, making the Sunshine State the second largest trading area for K mart's warehouse home center subsidiary. Illinois has 18 Builders Square stores.

In its second Mr. HOW acquisition of the year, Builders Square bought 12 operating Mr. HOWs in Augusta, Ga., Columbus and Reynoldsburg, Ohio, Hampton and Virginia Beach, Va., the Greater Philadelphia area (Langhorne, Pa., and Turnersville, N.J.), and Melbourne, Tampa, and Miami (Coconut Grove, Davies and Green Acres).

It also bought four units still under construction in Montgomery, Pa., and Evesham Township, N.J., both part of greater Philadelphia, and Lakeland and Largo, Fla.

Earlier this year, Builders Square acquired nine Mr. HOWs construction sites: four in Chicago, two each in Denver and Indianapolis and one in Springfield, Mo.

NMRI Claims Imports Demarking Would Injure Discounting Industry

WASHINGTON — Federal proposals to require the elimination of trademarks on all "gray market" imports would drive up prices to consumers, insulate foreign manufacturers from competition, and seriously injure the U.S. discount store industry, the National Mass Retailing Institute warned Customs Service officials.

In a formal position statement attacking the agency's plan to mandate the "demarking" of parallel imports, NMRI Government Relations vice president Robert Verdisco argued that such a requirement would close off competition from gray market goods altogether "thereby permitting foreign manufacturers to charge U.S. consumers high prices without benefit of competition."

In contrast to claims by gray market opponents who contend that the removal of trademarks on unauthorized parallel imports is needed to protect the public from misrepresentations, Verdisco maintained that "demarking would add to consumer confusion" since shoppers "would have no knowledge of the identity of the manufacturer."

Indeed, the NMRI official warned Customs, "demarking could lead to further counterfeiting of goods, making it easier for flim-flam artists to offer a phony version of a legitimate product without disclosure of the trademark."

The parallel import demarking scheme surfaced earlier this summer as one of two new "policy options" advanced by the Customs Service to resolve complaints by manufacturers about its current policy of permitting importation of gray market goods.

As an alternative to requiring the removal of trademark information from parallel imports, Customs also is seeking

(Continued on page 59)

Anti Price Fixing Measure Could Aid Discounter Cases

WASHINGTON — Controversial new legislation designed to make it easier for discounters to win resale price fixing cases against manufacturers is generating strong support in the House.

The bill, introduced by Rep. John Seiberling (D-Ohio), effectively would reverse key portions of the U.S. Supreme Court's landmark 1983 *Monsanto* resale price maintenance ruling — a decision that critics claim imposes "a virtually impossible standard of proof" on victims of Fair Trade-style retail price maintenance (RPM) conspiracies.

In that case, the court upheld the continued *per se* (automatic) illegality of resale price maintenance agreements, but at the same time established a standard of evidence for such disputes that all-but requires retailers to produce a "smoking gun" in order to obtain damages from a price-fixing supplier.

Specifically, the high court ruled in *Monsanto* that a manufacturer's termination of a discounting retailer in response to pricing complaints from competing dealers is insufficient to imply the existence of a conspiracy to fix resale prices.

Charging that this decision injected "unnecessary confusion," Seiberling told Congress that "circumstantial evidence...is often the sole means for a jury to ferret out well-

(Continued on page 59)

Follows Edwards' Resignation

Bush Selected as Rose's President

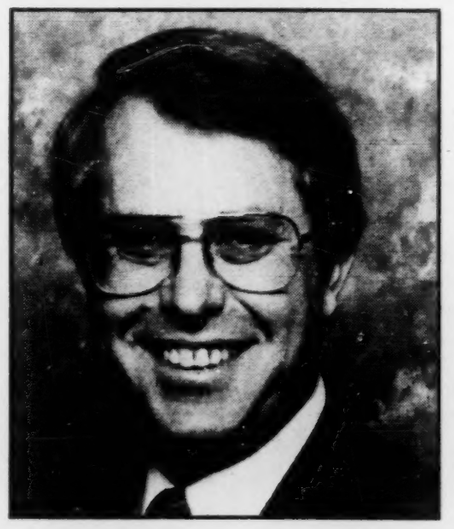
HENDERSON, N.C. — Jack E. Bush has been elected president and chief operating officer of Rose's Stores following the resignation of Jack Edwards from that post last month.

Bush had been Rose's senior vice president of operations and customers before this appointment.

His background includes five years of service with Zayre Corporation as vice president. Bush had also held a variety of home office and field positions with the J.C. Penney Company over a period of 22 years.

Edwards left Rose's on Aug. 4 to assume the post of president and chief executive officer for the Wickes Company's two home center operations, Builder's Emporium and Home Centers West.

In addition to Bush's promotion, J.M. Shuster, formerly manager of systems development at Rose's has been appointed company controller.



Jack E. Bush

Separately, Rose's has announced a Nov. 25, 1986 stockholders meeting to consider changes in the company's Certificate of Incorporation. Alterations in the certificate are necessary due to new laws in Delaware, where Rose's is incorporated.

The changes in the certificate are related to the liability of the members of the board of directors.

Shareholders will also be asked to approve an increase in the number of authorized shares of both classes of stock from 15 million shares to 30 million shares each.

The company recently announced a two-for-one stock split on both the voting common and non-voting Class B stock for shareholders of record Sept. 12, to be paid Oct. 15, 1986.

Zayre Reorganizes Top Level Executives

FRAMINGHAM, Mass. — Zayre Corporation has announced the reorganization of its top level personnel designed "to reinforce senior levels of management," at its various operating divisions.

Malcolm Sherman has been named to the newly-created position of chairman, Zayre Stores, a spokesman said.

Replacing him as president of the discount store operation is Stanley Adler, formerly president of Hit or Miss, Zayre's off-price junior apparel chain.

Raymond Wysocki has been promoted from senior vice president, general merchandise manager of Zayre discount stores, to executive vice president, general merchandise manager.

John Levy, formerly executive vice president of Zayre Stores has been named to the newly-created corporate post of group executive, responsible for Zayre's Home Club and BJ's Wholesale divisions.

Ben Cammarata, formerly president, T.J. Maxx, has been named chairman of that division and group executive responsible for T.J. Maxx, Hit or Miss and Chadwicks of Boston, Zayre's mail order division.

Dick Lesser, who had been senior executive vice president of T.J. Maxx will replace Cammarata as president of that division.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in our previous two issues, appears on this page monthly. Check your answers with the key on page 63.

1. What percentage of the total jeans market would Lee and Wrangler capture should the merger of their parent companies materialize?
a) 50%;
b) 25%;
c) 35%.

2. Consumer electronics retailer Crazy Eddie is testing new waters with:
a) the opening of its first Boston store;
b) a replacement of its current television spokesman;
c) its entry into broadcast retailing.

3. Which category is being eliminated in the revamping of S. E. Nichols' hardware department?
a) lumber;
b) paneling;
c) electrical.

4. Service Merchandise is reinforcing its commitment to its showroom business by selling its Mr. HOW warehouse home center division and:
a) launching its own credit card operation;
b) opening 50 new catalog showrooms this year;
c) focusing on jewelry and home goods alone.

5. This man was recently named president and chief operating officer of K mart Corp.:
a) Jack Shewmaker;
b) Joseph E. Antonini;
c) John Kresge Jr.

6. Xxtra Special/Modern Woman's growth strategy includes all but:
a) adding petites to the assortment;
b) continued East Coast expansion;
c) increased use of private label.

7. Manufacturers at the hardware show displayed new gas grills:
a) with triple burners;
b) in pastel colors;
c) in neon brights.

8. Montgomery Ward has agreed to share selling space in its Gaithersburg, Md. store with:
a) Kids Mart;
b) Child World;
c) Toys "R" Us.

9. College students spend the greatest portion of their discretionary dollars, according to Student Watch *'86, on:*
a) food and movies;
b) clothing and health and beauty aids;
c) rock concerts and records.

10. By Land and By Sea Distributors Inc. corporation was recently formed to:
a) take over the Sunset Sports chain;
b) purchase the O. G. Wilson catalog showroom chain;
c) open an off-price hunting and fishing chain.

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Off-Price Chain Census

National off-pricer Marshalls (top left) is rolling out a prototype featuring mini-shops. Massachusetts-based Filene's Basement (top right) is aggressively expanding and plans to take its neon signing and retail stocks to the Midwest. Designer Depot, (bottom) owned by K mart, is expanding with scaled-down stores.

Off-Price Apparel Chains Focus On Specialty Segments

DSN Nationwide Report

The off-price apparel industry is developing into a group of sharply focused chains, each with a corner of some specialty segment.

The line-up of surviving off-pricers includes chains focused on almost every niche of the marketplace: Multi-classification family stores, trendy juniors shops, kids' wear outlets and a new crop of stores targeted at the large-size female customer.

Although industry growth is slowing, (Management Horizons projects 17% to 19% annual gains through 1990), competition is unrelenting. Off-pricers go up against each other as well as the full-markup specialists in markets already saturated with retailers. Chains are still racing to update formats and open stores in new regions.

In the children's wear business, for example, Woolworth's California-based Kids Mart chain and the New Jersey-based Kids "R" Us (a division of Toys "R" Us) came face-to-face in Chicago for the first time this year.

Kids Mart stores are physically smaller than Kids "R" Us with assortments restricted to sportswear. Nevertheless, the two chains are after the same business and each are pegged by their parent companies as potential national chains.

Kids Mart president Ronald Berens said it is too early to evaluate the situation in Chicago but added that management is definitely monitoring the competitive impact. Kids Mart, which will end the year with 280 stores and projected sales of $140 million, is destined to meet Kids "R" Us again when it tackles Northeastern markets in 1988.

This year, the list of off-pricers similarly charting a national presence far outstrips those likely to fall by the wayside.

Ashby's, the 33-unit ladies' off-price operation, owned by the troubled Best Products catalog chain is the only existing off-pricer expected to fold by the end of this year.

On the other hand a host of off-price chains are building a national network.

California-based Ross stores has strengthened its East Coast presence this year. The chain landed in the Washington/Baltimore area, North Carolina and South Carolina and also plans to increase its store count in Florida this year. Next year, the expansion rate of the family apparel chain will slow as it adds about 30 stores.

ClothesTime, also headquartered on the West Coast, is planning to have its juniors-oriented format nationwide by 1990 with more than double its current 235 stores. That chain's five-year plan targets 500 stores and $500 million in sales by the end of the decade.

Dress Barn, headquartered in the Northeast, is planning to double its store count by 1990 as it intensifies its stake on the West Coast. In January, there were six Dress Barns in California.

Since then, the chain has moved into Seattle

(Continued on page 16)

OFF-PRICE APPAREL CENSUS

Off-Price Apparel Chains Carve Out Specialty Segments

(Continued from page 14)
and Oregon. Chain president Elliot Jaffe emphasized that the chain's future growth will be primarily in the western markets. Dress Barn's assortment targets career women aged 18 to 40.

At least two off-price chains for large size women are moving toward becoming national. The 23-unit California-based Xxtra Special/Modern Woman was slated to open eight stores on the East Coast this year. The first two eastern stores debuted under the Modern Woman name in Nanuet, N.Y. and Cherry Hill, N.J. last month. The long-range plan for that operation is about 25 openings a year.

The Answer, a division of Virginia Specialty stores, is likewise headed for national stature. That chain was pegged to have 50 stores by year-end and 100 by the end of 1988. Those large-size outlets are planned for five-unit clusters in various major cities.

While the narrowly focused formats are rolled out, larger established family apparel off-price chains are being updated. Marshalls and T. J. Maxx are both polishing up their chains with new prototypes that use freestanding walls to create shop concepts.

Marshalls' new look was unveiled in April. That included "The Garment District" shop for missy fashions and "the California Shop" for juniors. Domestics and giftware were totally separated into a Home Warehouse. Close to 50 stores should have that presentation by the end of the year.

T. J. Maxx introduced its latest prototype in 1985. By year-end about half of the chain should match that look.

T.J. Maxx headed toward 284 stores tackled the West Coast for the first time this year with a store opening in Portland, Ore. last May and another in Seattle this fall. Chain president Ben Cammaratta sees potential for 50 stores on the West Coast.

Burlington Coat is strengthening its claim to the outerwear business with expanded fur coat deparments being rolled out. That chain is also expanding into new territories with its family clothing format. (See separate story on page 3.)

Meanwhile, there are still some healthy regional off-pricers out there. Daffy Dan's, Filene's Basement, Bankers's Note are among them.

S&K Famous Brands, a men's wear off-pricer operating primarily in the Southeast will end the year with 489 stores. After the first half of this year the chain's sales were up by 21% and earnings were up by 89%.

In the Northeast, Olivers, a 30-unit family store, reported sales of $30 million for the year ended June 30, 1986, up from $19 million the year before. The company is projecting a volume as high as $50 million for the current fiscal year.

Olivers will end the calendar year with about 34 stores and could add 18 to 30 stores during 1987, said Joe Wolfer, ceo of the chain.

Leading Off-Price Retail Chains

Chain	Volume: Last Completed Fiscal Year	Volume: Previous Fiscal Year	Store Counts: 1/85	Store Counts: 1/86	Store Counts: 1/87	To Be Added In '87
Marshalls (Mass.)	$1,324	$1,190	209	236	266	30
T. J. Maxx (Mass.)	850*	636*	156	191	284	35
Ross Stores (Calif.)	376	211	66	107	150	30
Burlington Coat (N.J.)	352	310	68	74	92	7
Loehmanns (N.Y.)	323*	308*	72	81	93	10
Hit or Miss (Mass.)	300*	291*	401	428	472	50
Sizes Unlimited (N.J.)	254	281	349	293	239	N.A.
Sym's (N.J.)	215	204	14	15	19	3
Filene's Basement (Mass.)	213	189	15	17	23	10
Designer Depot (Mich.)	156	131	52	73	93	20
Dress Barn (Conn.)	135**	103	157	186	250	65
Clothestime (Calif.)	126	98	155	190	262	90
Kids Mart (Calif.)[a]	101	73.4	167	211	280	80
NBO (N.J.)	67	55	16	19	23	N.A.

*DSN estimate, **for year ended July 31, 1986; [a]includes 10 Little Folks Shops

Source: DSN research

Burlington Coat Tackles New Strategies to Promote Sales

(Continued from page 3)
New Jersey area, featuring various items. Viewers are informed of store locations where they can purchase the merchandise or can telephone orders for home delivery, said Milstein. The commercials are expected to reach 13 million homes, he said.

Other independent television stations being reviewed by Burlington include WGN in Chicago and WTBS in Atlanta.

The 13-week commitment is a means of experimenting "relatively inexpensively," said Milstein. "It will cause increased business for our stores and open a new doorway for doing business."

If the television advertising venture succeeds, the chain may also test direct response advertising through catalog sales, he added.

Burlington's recent aggressive approach towards new merchandising strategies comes when the chain is satisfied it understands who its customers are and how demanding they are of store environment.

Although the stores sell moderate- to better-priced merchandise, Milstein long has maintained that store ambience is far down on his list of priorities.

There is no chainwide consistency, for example, in the types of fixtures used. The first Burlington store opened still uses its original piperacks, while some stores have chrome racks purchased from the original occupant of the retail space.

"Some stores have better chrome fixtures because it was cheaper to buy chrome racks from others that went out of business," he said. "We let the consumer decide if he wants to buy the merchandise or the fixtures."

The chain already works on a very small margin to keep prices down, he said. Burlington pays more for its merchandise than some other off-pricers because 98% of the mix is bought direct, rather than on closeout, he said. More than half, or 56% of the business is in outerwear, excluding furs. The next highest volume category is men's wear.

Despite the concentration on value and price above customer service, the company is aiming to strengthen store employees' merchandising skills. Recently, Burlington began testing an educational program for store employees in Paramus and Pinebrook, N.J. Cassettes reviewing information on merchandise and covering current styles are distributed to the stores. Area supervisers will be appointed to oversee the program if it is spread chainwide.

As it gears up for end-of-year sales, Burlington will step into at least two new markets, including Salt Lake City and Baltimore.

The chain also will fill in existing markets. At presstime, second stores were slated for the St. Louis area and Memphis, and two stores were to be opened in Pittsburgh and Buffalo, N.Y., for a total of three in each of those markets. In addition, a third unit was scheduled for both Long Island, N.Y. and Atlanta, while a fourth unit was to open in the Fort Worth area, and one unit was to open in Secaucus, N.J., the fifth in that state.

Last fall, Burlington opened single stores in Denver and Columbus, Ohio.

"We don't really have prototypes," said Milstein. "We make propitious buys in real estate locations. Burlington has always been flexible. (We'll open) in strip centers, malls, former supermarkets, warehouses, department stores—so we're able to take advantage of good locations.

"We're a destination shopping point. As long as we have good visibility from the highway and good parking, they'll come to us."

Because Burlington draws its customer base from a 25 mile radius, rather than the immediate surrounding area, the local population or income level isn't a factor in choosing a site. For example, in the Wilkes Barrie, Pa. area, which has a population of 75,000 people, the Burlington store has sales of $8 million per year, about a third higher than the average Burlington store sales volume of around $6 million annually.

Girls' back-to-school fashions in Burlington Coat Factory, Paramus, N.J., included solid and wildly colorful fleece pullover and zipper tops and shaker knit sweaters. (DSN *photo*)

Tapping Trends is Key to Increase Ethnic Hair Care Volume

By CHARLES BOWLUS
Vice President,
Boston Distributors

The phenomenal growth displayed by the ethnic health and beauty aids department in the past has slowed somewhat so far in 1986, but I still expect the year will close with overall volume 10% above last year's.

While a 10% increase is significant, it is markedly lower than the 28% jump the industry enjoyed during 1985.

Discounters especially will feel the impact of decreased growth rate as their portion of the business continues to dip.

Discounters had 8% of the ethnic business in 1985, down from 10% in 1984 and 18% in 1983, reported the American Health & Beauty Aids Institute.

During the same three years, drug store chains were responsible for from 54% to 64% of ethnic unit movement, with food stores at or near the 30% level.

The narrower growth rate is due primarily to changing hair style fashions and the reduced maintenance these styles require.

Growth areas in ethnic lines include relaxer kits, as well as new lite line product introductions, and sales of both reflect the trend away from curls.

The move away from curly hair styles has been the major factor in this category's reduced sales performance.

While curly styles need frequent moisturizer and activater applications—up to four or five moisturizer and two or three activater applications each day during the hot summer months and somewhat fewer in cool weather—relaxed styles don't need the same number of applications for maintenance.

This means users don't need to buy as much product to keep the style they want, which causes the sales volume to taper off.

Discounters can expect that relaxed hair styles will remain popular for the balance of 1986, and maybe into the early part of next year.

I believe that the fashion pendulum will swing back to curly styles eventually. The movement will be fostered by the marketing efforts of ethnic H&BA vendors trying to restimulate the popularity of the curly hair styles.

In spite of the fact that more people are choosing relaxed hair styles, hair curl products still dominate the product movement audit (PMA).

Soft Sheen's Carefree Curl line remains the top brand with the 16 oz. moisturizer the number one item.

Carefree Curl, the strongest national selling brand, placed seven stock keeping units in our top 15 listing.

Sof 'N Free, from M&M Products, ranked No. 2 with its 16 oz. moisturizer and placed three sku's on the listing.

Dark & Lovely kits, in regular and plus formulations, are our top selling relaxers, with Johnson Products' Gentle Treatment kit as the other relaxer on the top 15 list for the first six months of this year.

Dark & Lovely, which hadn't even ranked on the top 15 list a couple years ago, has steadily worked its way up.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ETHNIC PRODUCTS			
1	Carefree Curl Moisturizer 16 oz	44,950	4.91	220,705
2	Sof-N-Free Curl Moist Spray 16 oz	36,486	4.06	148,133
3	Dark & Lovely Relaxer Kit	16,188	5.78	93,567
4	Carefree Curl Moisturizer 8 oz	32,544	2.82	91,774
5	Carefree Curl Activator 16 oz	16,338	5.38	87,898
6	Carefree Curl Moisturizer 12 oz	20,123	4.04	81,297
7	Carefree Activator & Moist Twin 12 oz	13,152	5.14	67,601
8	Carefree Curl Activator #2 8 oz	17,586	3.08	54,165
9	Right On Moist/Act Norm #53 16 oz	9,727	5.55	53,985
10	Luster S Act/Moist Reg 902 16 oz	10,053	4.95	49,762
11	Gentle Treatment Relaxer Kit	6,636	7.10	47,116
12	Worlds of Curls Gel Act Ext Dry 32 oz	6,132	7.61	46,665
13	Sof-N-Free Curl Activator 16 oz	9,592	4.65	44,603
14	Carefree Curl Activator #2 12 oz	10,032	4.27	42,837
15	Sof-N-Free Curl Moist Spray 8 oz	11,887	3.17	37,682

Source: Boston Distributors, Maple Heights, Ohio, for January through June, 1986. The company supplies 1,200 stores, including over 650 discount department stores in 23 states. Average retail prices reflect typical price points for discount stores.

New lite offerings, while still fairly new, are starting to pull sales away from traditional formulas.

For instance, TCB has introduced a new lite line that consists of five products: a moisturizer, activator, gel activator, conditioner and intensive hair conditioner.

Although none of these products has approached the volume of the top 15, they have been pulling down sales of the ethnic hair care leaders.

Hair colorings also are coming back into vogue, primarily due to the marketing efforts of Dark & Lovely. The company has taken a tremendous stake in terms of advertising and packaging. The result has been greater consumer acceptance and awareness and an expanded market.

Because the company has laid the groundwork, other manufacturers such as Revlon are entering the ethnic hair coloring business, recognizing the increased viability of this product line.

While hair colorings have grown in popularity, hair accents or highlights haven't. One example is Soft Sheen hair accent, which showed very poor performance.

Discounters should remember that while basic shampoos change faster than just about anything else in their general H&BA department, all ethnic lines change twice as fast.

Smart mix selections and sharp pricing can double your business within six months if you haven't already dedicated yourself to learning about the ethnic industry.

A couple years ago, one major East Coast discounter we work with increased its ethnic volume from $100,000 to $198,000 from January to June. What it took was fewer sku's, more facings and a 10% cut in prices.

The black population was reported to be at 29 million in 1984, according to the U.S. Census Bureau. With this figure rising, and the number of working women and children within that population making up a larger part of the whole, discounters might do well to re-evaluate the space—as well as managerial thought and effort—devoted to the ethnic segment of the health and beauty aids category.

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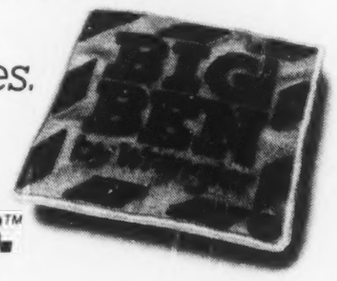

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